

FISCAL NOTE

HB 3326 - SB 3292

March 25, 1998

SUMMARY OF BILL: Authorizes the local education insurance committee to establish a schedule of premium payments for retirees participating in the Local Education Plan. The schedule shall be based upon the total monthly premiums for all participants and the retiree's contribution shall be graduated to reflect the retiree's length of service. For retirees with less than 20 years of service – retiree pays 75% of premium; 20-29 years of service – retiree pays 65% of premium; 30 years or more of service – retiree pays 55% of premium. Years of service include employment as a school teacher or as a state employee.

Currently, employees of local education agencies can continue coverage in the Local Education Plan at retirement if they meet the criteria established by the Plan. The retiree can continue the coverage until Medicare eligible. The retiree pays 100% of the premium for individual or family coverage.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$4,764,500

- Assumes a reduction in premium collections by current retirees of about \$1,635,900.
- Additionally, due to reduced contribution requirements about 293 currently eligible retirees will enroll in the Local Education Plan. The difference between their payments for coverage and the estimated claims cost is approximately \$1,464,200.
- The loss of revenue and the increased expense total \$3,100,100; requiring a 3.78% increase in the PPO plan premium to offset the change.
- Since the PPO option of the Local Education Plan serves as a benchmark for determining the insurance coverage contribution in the Basic Education Program, a premium increase results in an increase in school funding. The estimated impact on the BEP funding is \$4,764,500 (3.78% x \$1,922 insurance factor per eligible position x 65,579.5 positions).

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

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